

CLOVIS UNIFIED SCHOOL DISTRICT

Revised Audit Report

SCHOOL DISTRICT OF CHOICE: TRANSFERS AND APPEALS PROGRAM

Chapter 160, Statutes of 1993, and
Chapter 1262, Statutes of 1994

July 1, 1999, through June 30, 2003



JOHN CHIANG
California State Controller

March 2011



JOHN CHIANG
California State Controller

March 18, 2011

Ginny Hovsepian
Board President
Clovis Unified School District
1450 Herndon Drive
Clovis, CA 93611

Dear Ms. Hovsepian:

The State Controller's Office (SCO) audited the claims filed by the Clovis Unified School District for costs of the legislatively mandated School District of Choice: Transfers and Appeals Program (Chapter 160, Statutes of 1993, and Chapter 1262, Statutes of 1994) for the period of July 1, 1999, through June 30, 2003.

The district claimed \$1,373,751 (\$1,375,751 less a \$2,000 penalty for filing late claims) for the mandated program. Our audit disclosed that the entire amount is allowable. The State made no payment to the district. The State will pay allowable costs claimed that exceed the amount paid, contingent upon available appropriations.

This revised final report supersedes the previous revised report dated November 5, 2004. We reconsidered the finding in light of the September 21, 2010 appellate court decision in *Clovis Unified School District et al. v. John Chiang, State Controller*. In the prior final audit report, we did not allow costs only supported with employee certifications prepared at the end or subsequent to the end of each fiscal year without contemporaneous documentation validating the hours claimed. However, the court ruled that the SCO contemporaneous source document rule (CSDR) was invalid prior to the Commission on State Mandates' (CSM) adoption of the rule in the School District of Choice: Transfers and Appeals Program's parameters and guidelines. The CSM adopted the CSDR for this mandate effective July 1, 2005.

In compliance with the court decision, we reconsidered the finding without using the CSDR. We reinstated the entire costs claimed totaling \$1,373,751, consisting of \$1,287,872 in salaries and benefits, \$87,879 in indirect costs, less a \$2,000 penalty for filing late claims.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Costs Audits Bureau, at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/sk

cc: Dave Cash, Superintendent
Clovis Unified School District
Michael Johnston
Assistant Superintendent-Business Services
Clovis Unified School District
Patrick Kraft, Director of Finance
Clovis Unified School District
Larry L. Powell, County Superintendent of Schools
Fresno County Office of Education
Scott Hannan, Director
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Thomas Todd, Principal Program Budget Analyst
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Revised Audit Report

Summary

The State Controller's Office (SCO) audited the claims filed by the Clovis Unified School District for costs of the legislatively mandated School District of Choice: Transfers and Appeals Program (Chapter 160, Statutes of 1993, and Chapter 1262, Statutes of 1994) for the period of July 1, 1999, through June 30, 2003.

The district claimed \$1,373,751 (\$1,375,751 less a \$2,000 penalty for filing late claims) for the mandated program. Our audit disclosed that the entire amount is allowable. The State made no payment to the district. The State will pay allowable costs claimed that exceed the amount paid, contingent upon available appropriations.

This revised final report supersedes the previous revised report dated November 5, 2004. We reconsidered the finding in light of the September 21, 2010 appellate court decision in *Clovis Unified School District et al. v. John Chiang, State Controller*. In the prior final audit report, we did not allow costs only supported with employee certifications prepared at the end or subsequent to the end of each fiscal year without contemporaneous documentation validating the hours claimed. However, the court ruled that the SCO contemporaneous source document rule (CSDR) was invalid prior to the Commission on State Mandates' (CSM) adoption of the rule in the School District of Choice: Transfers and Appeals Program's parameters and guidelines. The CSM adopted the CSDR in this mandate effective July 1, 2005.

In compliance with the court decision, we reconsidered the finding without using the CSDR. We reinstated the entire costs claimed totaling \$1,373,751, consisting of \$1,287,872 in salaries and benefits and \$87,879 in indirect costs, less a \$2,000 penalty for filing late claims.

Background

Education Code sections 48209.1, 48209.7, 48209.10, 48209.13, and 48209.14 (added and amended by Chapter 160, Statutes of 1993, and Chapter 1262, Statutes of 1994) require that any school district may elect to accept inter-district transfers and become a school district of attendance "choice" for pupils from other school districts. They also establish the statutory right of the parent or guardian of a pupil who is prohibited from transferring to appeal this decision to the county board of education.

If a district makes the election, the choice program requires several nondiscriminatory policies:

- Transfers are to be allowed on a random basis, subject to a numerical limit adopted by either the "sending" district of residence or "receiving" district of choice and may be prohibited if they adversely affect either school district's integration program;

- Although districts are not required to establish new programs to accommodate the pupil transfer, the school district of choice cannot prohibit a transfer of a pupil just because the additional cost of educating the pupil would exceed the amount of additional state aid received as a result of the transfer;
- Resident pupils cannot be displaced by a choice transfer;
- Rejected requests for transfer require that the district provide written notification to the parent or guardian of the reason; and
- Once a transfer is granted, the pupil has the right of continuation to other grade levels.

All school districts are required to collect and report data on the number of requests submitted, transfers granted, and transfers denied.

On April 28, 1995, and May 6, 1996, the CSM determined that Chapter 160, Statutes of 1993, and Chapter 1262, Statutes of 1994, imposed a state mandate reimbursable under Government Code section 17561.

The program's parameters and guidelines establish the state mandate and define criteria for reimbursement. The CSM adopted the parameters and guidelines on July 25, 1996. In compliance with Government Code section 17558, the SCO issues claiming instructions for mandated programs to assist school districts in claiming reimbursable costs.

Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the School District of Choice: Transfers and Appeals Program for the period of July 1, 1999, through June 30, 2003.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, not funded by another source, and not unreasonable and/or excessive.

We conducted the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. Our scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

Our audit disclosed no material instances of noncompliance with the requirements outlined above.

For the audit period, Clovis Unified School District claimed \$1,373,751 (\$1,375,751 less a \$2,000 penalty for filing late claims) for costs of the School District of Choice: Transfers and Appeals Program. The State made no payment to the district. The State will pay allowable costs claimed that exceed the amount paid, contingent upon available appropriations.

**Views of
Responsible
Officials**

We issued a draft audit report on September 20, 2004. Terry Bradley, Ed.D., Superintendent, responded by letter dated October 4, 2004, disagreeing with the audit results. We issued a final audit report on November 5, 2004.

Subsequently, we eliminated the finding in light of the appellate court decision in *Clovis Unified School District et al. v. John Chiang, State Controller*. We reinstated the entire costs claimed totaling \$1,373,751. We notified Michael Johnston, Assistant Superintendent of Business Services, of the change on November 22, 2010, and e-mailed him a preliminary copy of the revised final report on March 11, 2011. In an e-mail dated March 15, 2011, Mr. Johnston noted a minor correction in the Conclusion section and indicated the report looked good. We corrected the minor error.

Restricted Use

This report is solely for the information and use of the Clovis Unified School District, the Fresno County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

March 18, 2011

Revised Schedule 1— Summary of Program Costs July 1, 1999, through June 30, 2003

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments
<u>July 1, 1999, through June 30, 2000</u>			
Salaries and benefits	\$ 260,191	\$ 260,191	\$ —
Indirect costs	16,782	16,782	—
Subtotals	276,973	276,973	—
Less late filing penalty	(1,000)	(1,000)	—
Total costs	<u>\$ 275,973</u>	275,973	<u>\$ —</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u><u>\$ 275,973</u></u>	
<u>July 1, 2000, through June 30, 2001</u>			
Salaries and benefits	\$ 280,906	\$ 280,906	\$ —
Indirect costs	19,186	19,186	—
Subtotals	300,092	300,092	—
Less late filing penalty	(1,000)	(1,000)	—
Total costs	<u>\$ 299,092</u>	299,092	<u>\$ —</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u><u>\$ 299,092</u></u>	
<u>July 1, 2001, through June 30, 2002</u>			
Salaries and benefits	\$ 471,779	\$ 471,779	\$ —
Indirect costs	31,892	31,892	—
Total costs	<u>\$ 503,671</u>	503,671	<u>\$ —</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u><u>\$ 503,671</u></u>	
<u>July 1, 2002, through June 30, 2003</u>			
Salaries and benefits	\$ 274,996	\$ 274,996	\$ —
Indirect costs	20,019	20,019	—
Total costs	<u>\$ 295,015</u>	295,015	<u>\$ —</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u><u>\$ 295,015</u></u>	

Revised Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments
<u>Summary: July 1, 1999, through June 30, 2003</u>			
Salaries and benefits	\$ 1,287,872	\$ 1,287,872	\$ —
Indirect costs	<u>87,879</u>	<u>87,879</u>	<u>—</u>
Subtotals	1,375,751	1,375,751	—
Less late filing penalty	<u>(2,000)</u>	<u>(2,000)</u>	<u>—</u>
Allowable costs claimed in excess of (less than) amount paid	<u>\$ 1,373,751</u>	1,373,751	<u>\$ —</u>
Less amount paid by the State		<u>—</u>	
Total costs		<u>\$ 1,373,751</u>	

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